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SUBJECT: TAIWAN ECONOMICS MINISTER VISITS VIETNAM

Ref: A. 02 Hanoi 2417 B. 02 Hanoi 1290

1. (SBU) SUMMARY. Taiwan Economics Minister Lin Yi-fu visited Vietnam January 23 - 27 as the head of a trade mission. While his official host was the Vietnam Chamber of Commerce and Industry, Lin held meetings with GVN officials, including his counterparts at the Ministry of Trade as well as the Ministry of Planning and Investment. The two sides discussed the past 10 years of cooperation as well as plans for boosting future economic ties. A Taiwan press report indicated that a bilateral trade agreement (BTA) is a possibility. The visit was not publicized by Vietnam's state-controlled media. The PRC embassy reportedly made a low-key objection to the GVN over the visit. A conference on Taiwan - Southeast Asia relations planned locally by the Institute of China Studies for last July was cancelled after strong PRC protests but should take place in Taiwan this year. END SUMMARY.

ROBUST ECONOMIC AND CULTURAL TIES

2. (SBU) While the GVN is clearly on record as faithfully adhering to "One China" (reftels), the robust economic and cultural relationship between Vietnam and Taiwan remains important. By some accounts, Taiwan is the largest investor in Vietnam. (Note: Other accounts put Singapore in first place; however, much of that investment stems from regional headquarters of third country firms, especially US oil firms. End note) According to Dr. Do Tien Sam, Director of the Institute of China Studies, Vietnam "greatly appreciates" Taiwan investments, some of which, he observed, are located in less developed parts of the country. (Taiwanese businesspeople tell Embassy that they like doing business in Vietnam and apparently that feeling is reciprocated. While some investments are in rural areas, most are centered in Hanoi and Ho Chi Minh City, including several of the largest modern industrial zones in Vietnam.) Two-way trade is also "very significant," reaching about USD two billion in 2002, he added. (Much of that is import of materials for garment assembly and re-export of the finished product.) Labor exports are also increasing rapidly, with some 60,000 Vietnamese workers going to Taiwan last year. About 7,000 Vietnamese women married Taiwanese men last year alone. Over 300,000 Taiwanese tourists visit Vietnam every year. "Ties are strong and getting stronger," Dr. Sam concluded.

VISIT NOT UNPRECEDENTED

3. (SBU) Minister Lin's visit was not unprecedented, according to Dr. Sam. He noted that a previous incumbent, whom he named as Jiang Bing Kun, visited Vietnam in his role as Economics Minister twice. Jiang also had a role in signing two trade-related agreements - one on investment protection and another on double taxation avoidance. Separately, Robert Hsieh Bor-Huei of the Taipei Economic and Cultural Office (TECO), claimed that Jiang had visited Vietnam "nine or 10 times," although some of these were in a private capacity. Hsieh said that he had "heard" that the PRC embassy predictably made a formal protest about Lin's visit (although he was not clear whether to the Ministry of Foreign Affairs or to the Ministry of Trade), calling it a violation of "One China." Foreign press reports also noted that the PRC was unhappy about the visit. Dr. Sam added that "in adherence with "One China," no GVN visit to Taiwan has ever gone above the deputy minister level. Reflecting Vietnam's pragmatic foreign policy approach, Dr. Sam assessed that "we need to maintain our relations with the PRC, but also strengthen those with Taiwan."

4. (SBU) According to Dr. Sam, Lin and his GVN counterparts reviewed the past ten years of Vietnam - Taiwan economic and cultural cooperation and discussed how these relations could "be further strengthened in the coming years." A Taiwan press report noted that the two sides investigated the possibility of a BTA and that Lin affirmed Taiwan's support for Vietnam's accession to the World Trade Organization. TECO's Hsieh said that Vietnam and Taiwan had

been discussing the possibility of a BTA for a "long time," adding that he "does not expect" an agreement to be reached within 2003. Hsieh noted that Lin's visit was in the framework of Taiwan's "go south" policy regarding trade and investment, and that Lin had made similar visits to Malaysia and Thailand last November.

15. (SBU) Vietnam's state-controlled broadcast or print media did not report on Lin's visit, unlike similar visitors from other, much less important partners. According to Dr. Sam, this is "typical" for Taiwan visits. He suggested that publicity over these types of visits "would antagonize" the PRC.

REACHING TOO FAR

16. (SBU) Dr. Sam recounted that last summer his Institute had planned to host a conference on Taiwan's relations with Southeast Asian countries. When the PRC embassy heard about it, officials there "reacted very strongly." The PRC embassy lodged an official complaint with the Ministry of Foreign Affairs as well as with the National Center for Social Sciences and Humanities, the parent institution of the Institute of China Studies. Senior officials from the National Center "strongly urged" the Institute to cancel the conference, which it did. Dr. Sam suggested that, in contrast to Lin's visit, which the PRC essentially viewed in an economic context, the proposed conference apparently stepped over the political line and was therefore unacceptable to the PRC. Dr. Sam said that the PRC embassy had indicated, however, that Beijing would not object if the conference took place in Taiwan. Taiwan authorities subsequently agreed to host in April 2003.

COMMENT

17. (SBU) Vietnam continues to depend on good economic and commercial ties with Taiwan, and is clearly willing to take a little heat (apparently, increasingly pro forma) from the PRC over at least economics-related senior level visits that the PRC claims violate the "One China principle." But Vietnamese officials will be careful not to step over perceived political lines that might truly anger the PRC, as illustrated by last summer's ill-fated conference.
BURGHARDT